



City of San Diego FY 2012-2016 Five-Year Financial Outlook

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February 9, 2011





City of San Diego FY 2012-2016 Five-Year Financial Outlook

Economy

Positive:

- Moderate improvement in consumer confidence & spending
- Moderate improvement in hotel visitor activity
- Increase in local median home price

Negative:

- High unemployment rate
- Decreased number of home sales
- Economic indicators are mixed; uncertain recovery



City of San Diego FY 2012-2016 Five-Year Financial Outlook

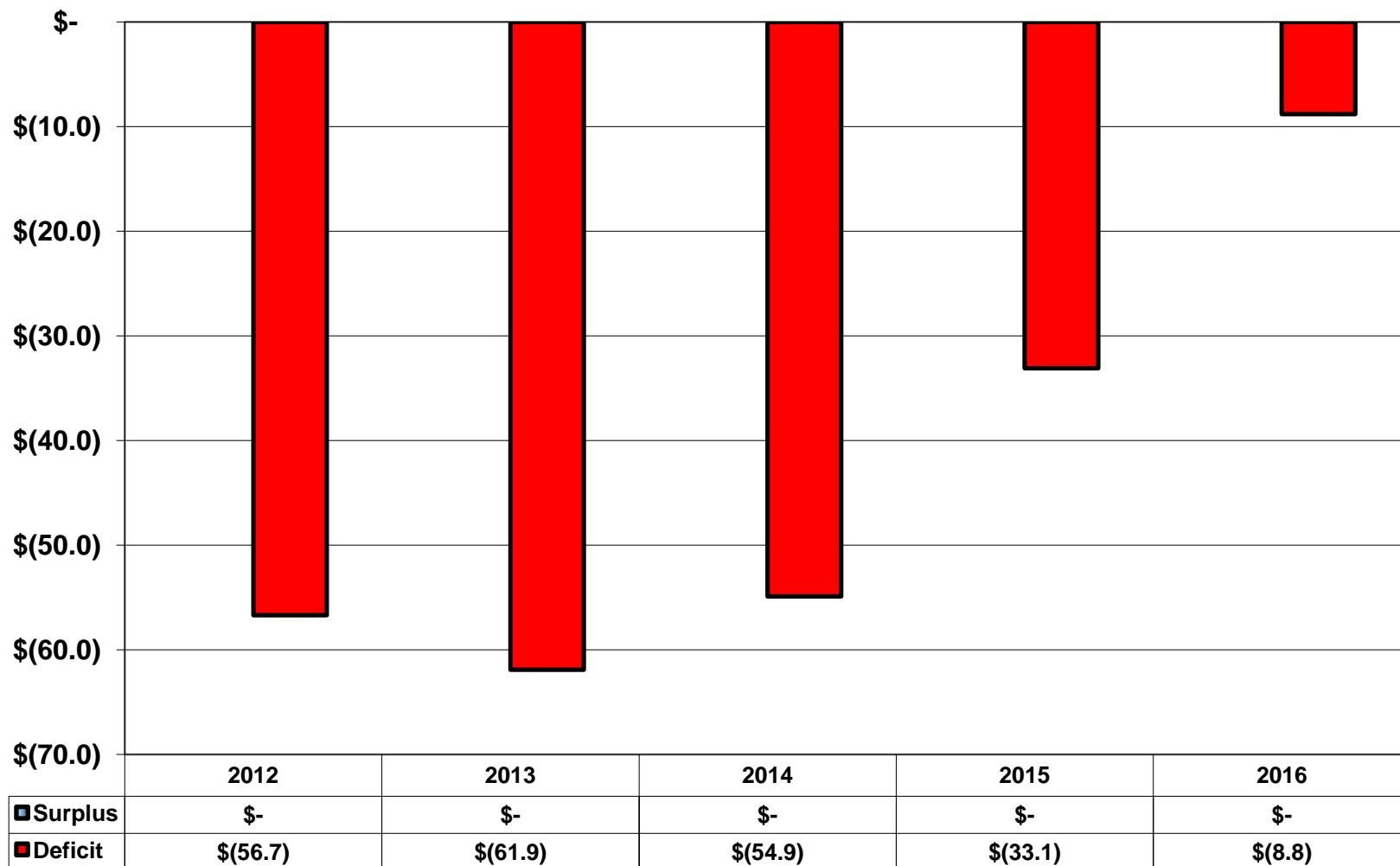
General Assumptions

- Conservative growth of major revenues
- Minimal to flat growth in departmental revenues
- No tax increases
- No salary increases for City employees
- No inflationary adjustments other than energy/utilities costs
- FY 2012 State Budget Proposal – no direct impact on the City's FY 2012 General Fund budget



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FY 2012-2016 Surplus/(Deficit)





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April 2010 - February 2011 Outlook Change

FY 2012 Deficit - April 2010 Outlook **\$ (72.5)**

Revenue Changes

Change in Major Revenues (0.2)

Change in Departmental Revenues (5.4)

Total Revenue Change \$ (5.6)

Expense Changes

OPEB Reduction (2.9)

ARC Reduction (21.1)

Expenditure Adjustments 1.4

Debt Service - Deferred CIP (3.7)

Outside Legal Expenses 2.5

Other Changes 2.5

Total Expense Change \$ (21.4)

Total Deficit Change \$ (15.8)

FY 2012 Deficit - February 2011 Outlook **\$ (56.7)**



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April 2010 Outlook- February 2011 Outlook

Major Changes

REVENUES

- Property Tax reduction (\$15.2 million)
- Sales Tax increase \$12.3 million
- TOT increase \$2.1 million
- Franchise Fees increase \$0.5 million
- Elimination of parking meter utilization revenues (\$2.6 million)
- Increase in parking citation pass through \$3.2 million

EXPENDITURES

- Reduction in pension ARC (\$21.1 million)
- Reduction in OPEB (\$2.9 million)
- Reduction in Debt service/Deferred CIP (\$3.7 million)



FY 2012 Major Revenue Assumptions

Property Tax

- **0.5% growth** - continued modest growth in median home price and sales, reduction in foreclosed properties, increasing collection rate, and reduction in residential re-assessment appeals.

Sales Tax

- **2.4% growth** – continued growth in taxable sales from general retail, food, and business-to-business, while construction continues flat or negative. Cautious growth dependent on unemployment.

Transient Occupancy Tax

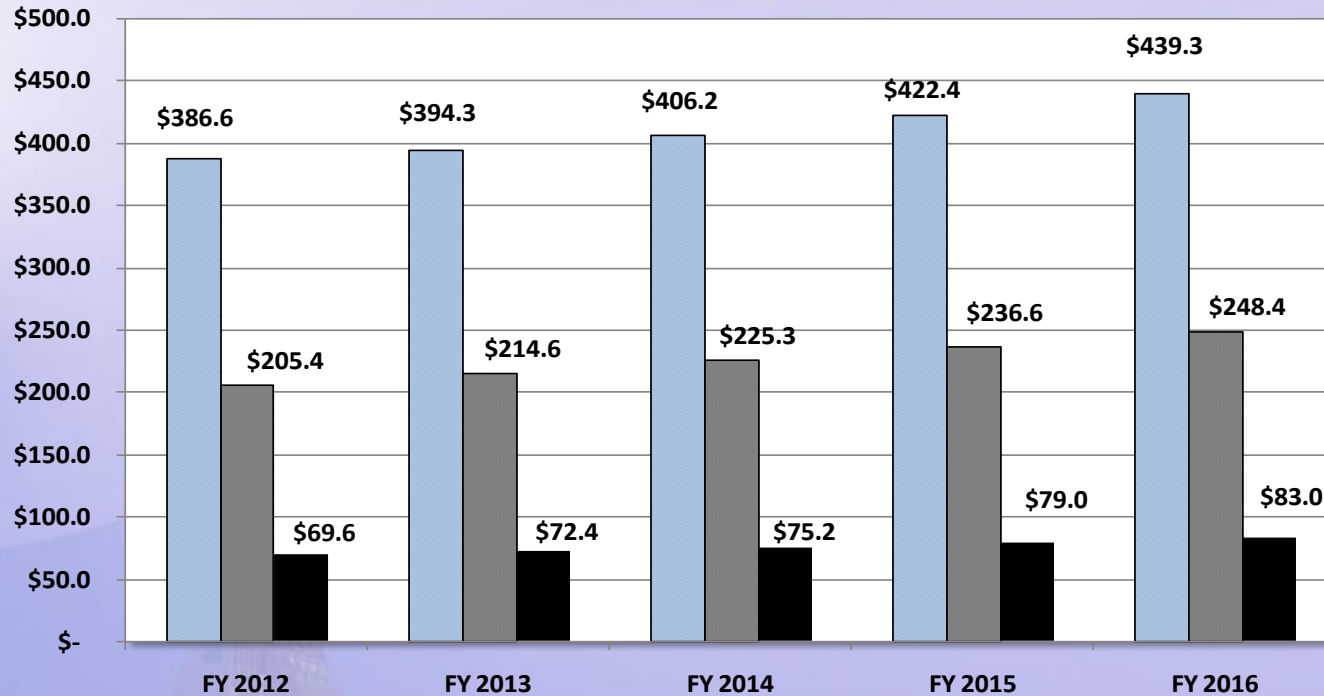
- **3% growth** – business and tourism spending increases in addition to projected occupancy and room rate increases.



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Major Revenue Growth

(\$ in millions)



□ Property Tax ■ Sales Tax ■ Transient Occupancy Tax

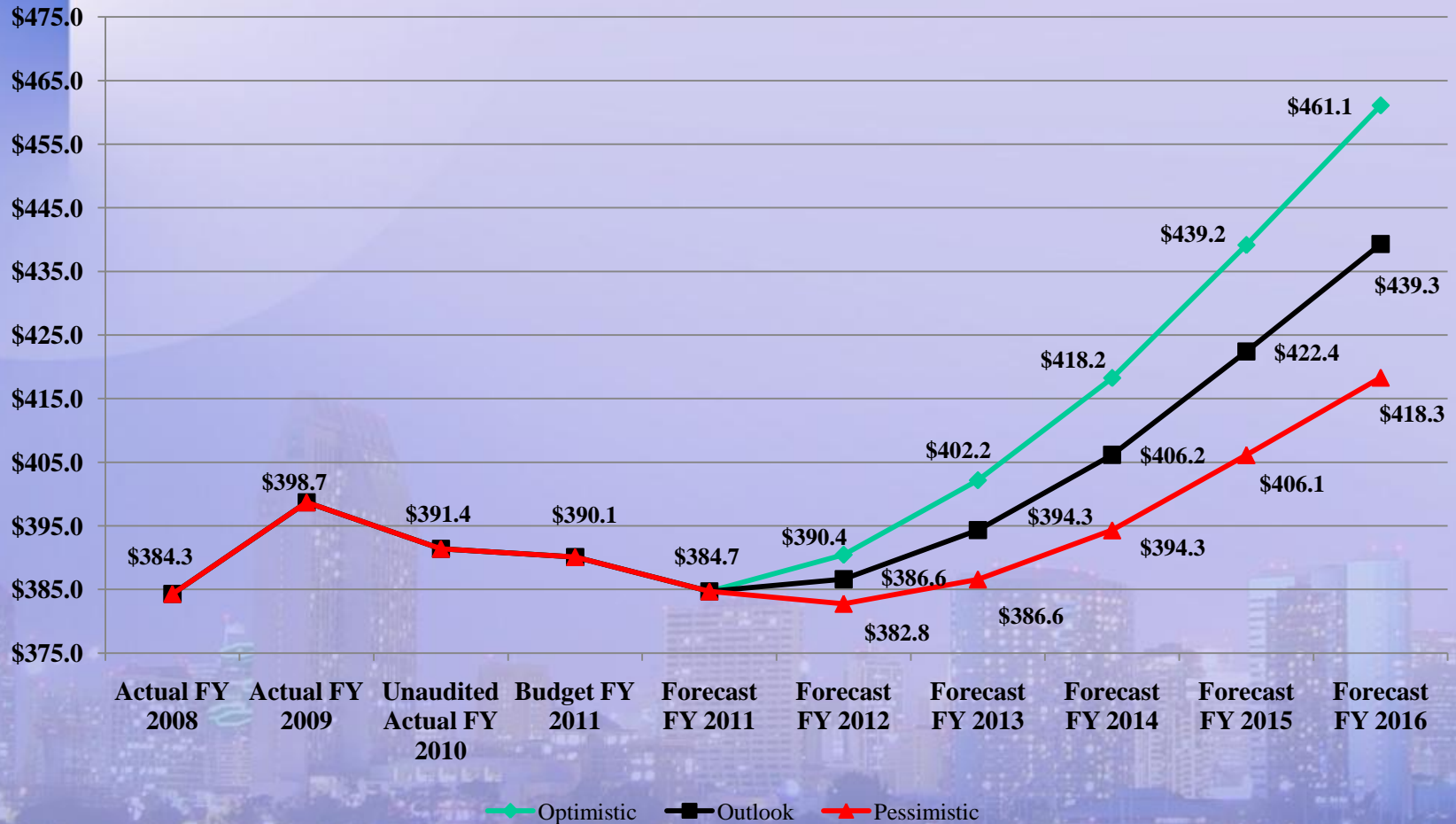
Major Revenue Growth Rates	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Property Tax	0.5%	2.0%	3.0%	4.0%	4.0%
Sales Tax	2.4%	4.0%	5.0%	5.0%	5.0%
TOT	3.0%	4.0%	4.0%	5.0%	5.0%



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Property Tax Sensitivity Analysis

(\$ in millions)

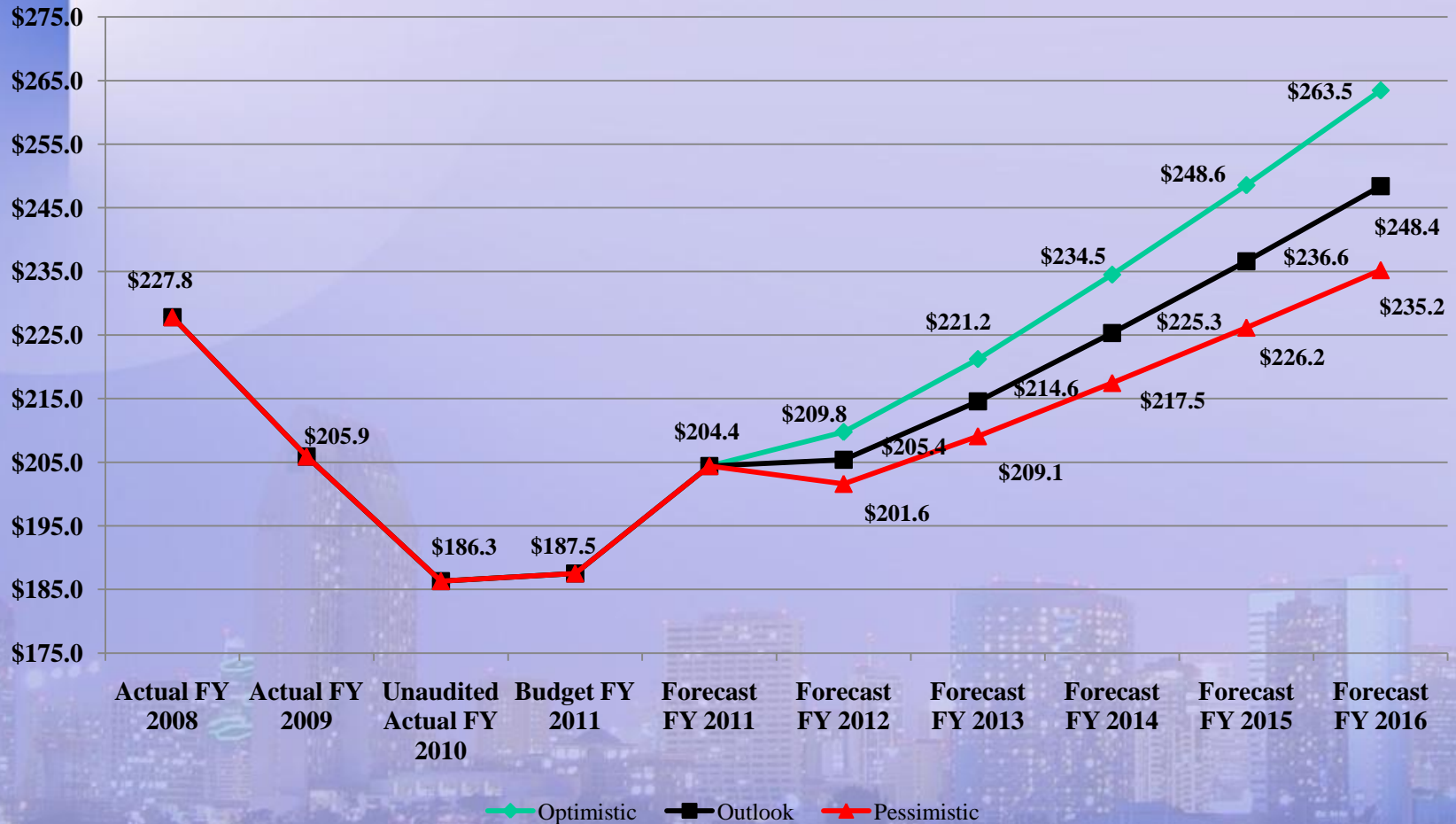




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Sales Tax Sensitivity Analysis

(\$ in millions)

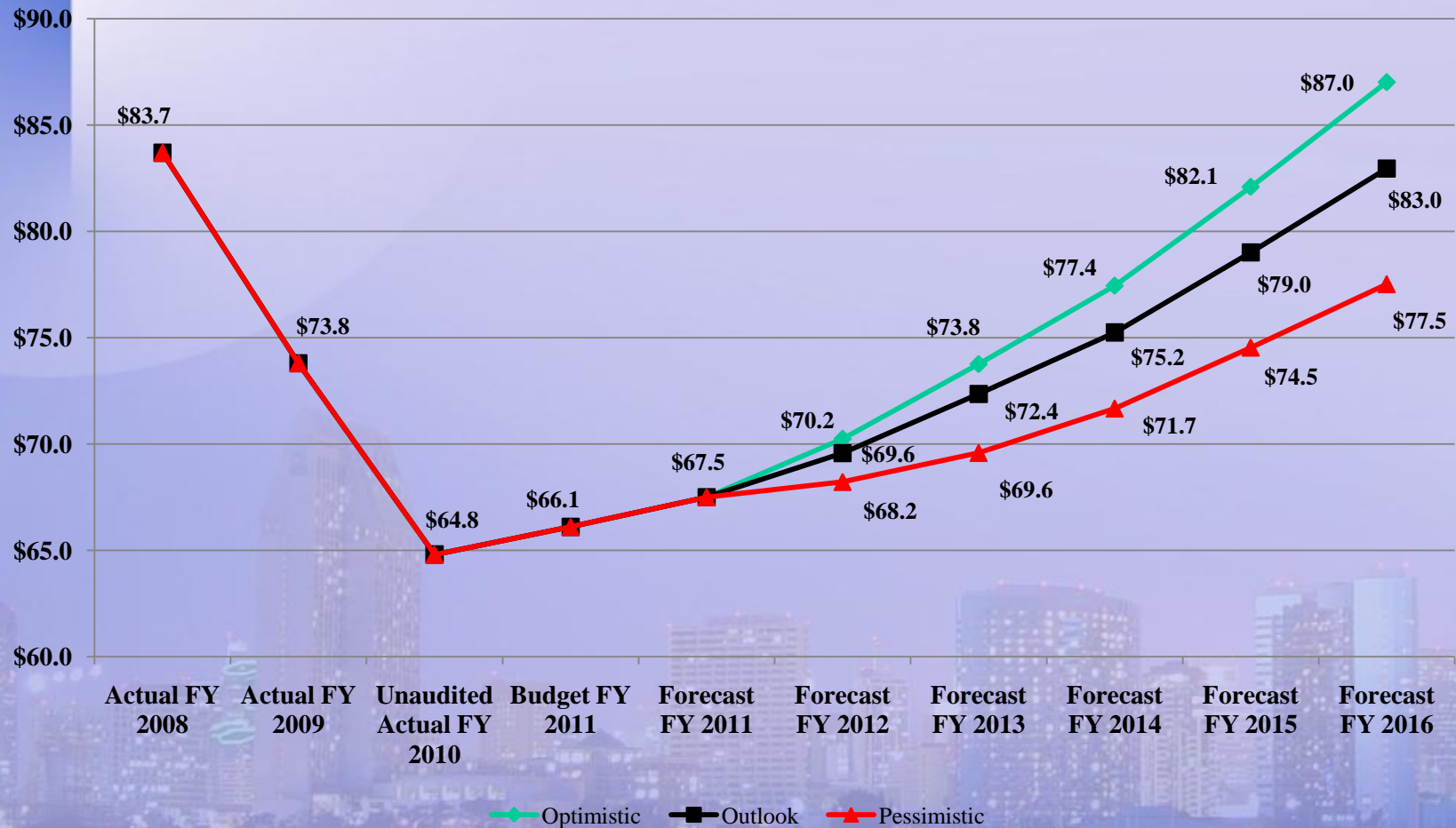




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TOT Sensitivity Analysis

(\$ in millions)





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Major Expenditure Assumptions

- No salary increases for City employees
- Reserve contributions for General Fund, public liability, and workers compensation
- No inflationary adjustments other than energy/utilities costs
- Growth of departmental expenditures based on Council or other mandates, contractual increases, or increases due to new facilities



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Retirement Expenditures

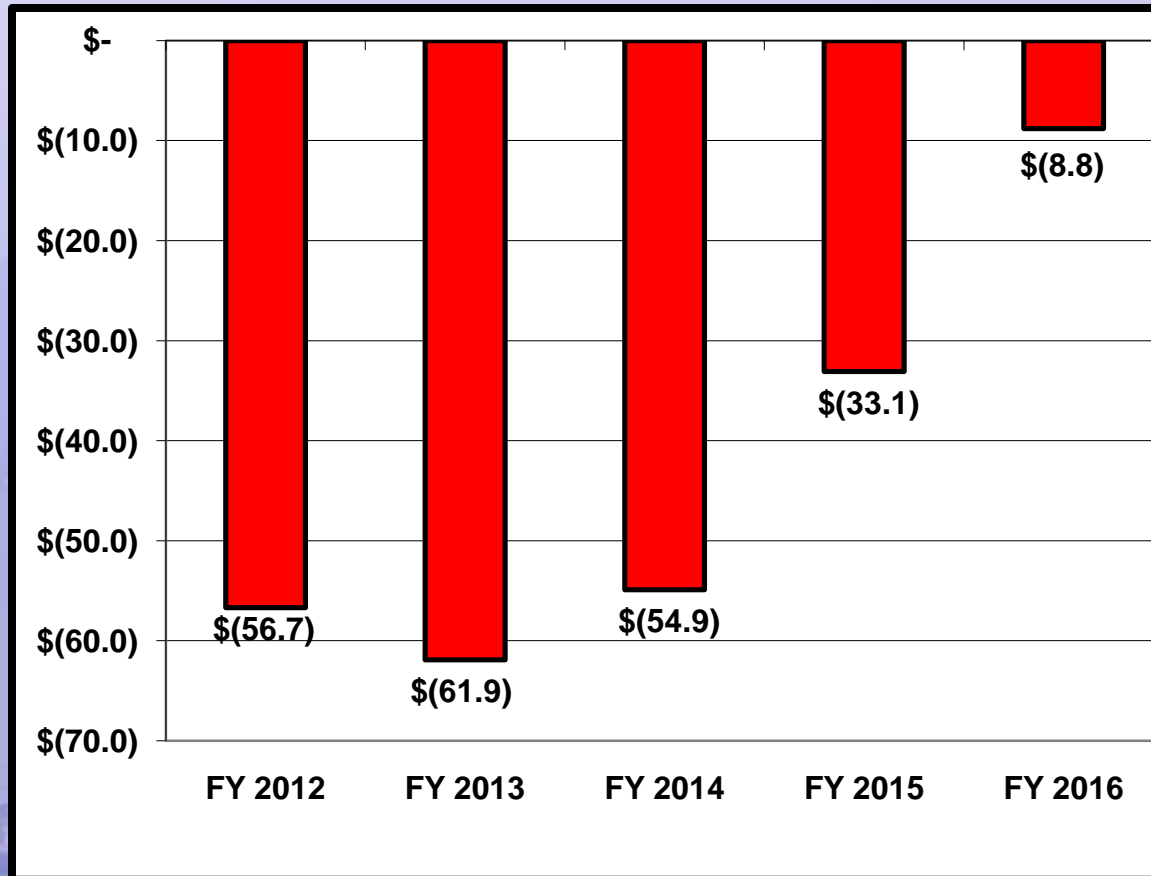
- Pension ARC included in the Outlook based on latest SDCERS actuarial report.
- OPEB contribution:
 - Pre-funding of future liabilities and “pay-go” amounts contributed by City remain at FY 2011 Adopted Budget levels throughout Outlook.



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(\$ in millions)

	Forecast FY 2012	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Forecast FY 2016
Projected Revenues	\$ 1,076.7	\$ 1,103.6	\$ 1,138.4	\$ 1,174.6	\$ 1,212.4
Projected Expenditures	\$ 1,133.4	\$ 1,165.5	\$ 1,193.3	\$ 1,207.7	\$ 1,221.2
Projected Surplus / (Deficit)	\$ (56.7)	\$ (61.9)	\$ (54.9)	\$ (33.1)	\$ (8.8)





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Conclusion

- Projected FY 2012 deficit of \$56.7 million
- Fiscal reforms, department consolidations, organizational flattening will generate future savings
- Service reductions will be needed to balance FY 2012 budget



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Questions?